

Tax Reform and the Taxpayer Choice Act

Ten years ago, most Americans had never heard of the alternative minimum tax, or AMT for short. Today, however, the AMT is unfortunately entering the vocabulary of more and more middle class families as they fall victim to this onerous tax. The AMT was created in 1969 to make 155 of the nation's wealthiest individuals pay at least some level of tax. Yet the income entry levels for the tax were never set to adjust with inflation, and as a result, if Congress doesn't act soon, the number of taxpayers paying the AMT will rise from 4 million to 23 million this year alone.

In the face of this growing problem, House Democrats have proposed to address the AMT by raising taxes elsewhere to the tune of nearly \$1 trillion. The advocates of this massive tax increase claim it's necessary to "offset" or make up for tax revenue that is "lost" with the termination of the AMT. This "tax Peter to pay Paul" approach is wrong, and ignores the reality that the AMT was never intended to capture these Americans in the first place. Accordingly, I believe Congressional leaders should simply repeal the AMT outright.

This is the approach I and many Republicans favor and the reason I am strongly supporting the [Taxpayer Choice Act](#). H.R. 3818, which I have cosponsored, presents a bold and forward-looking way to repeal the AMT without raising taxes on others as proposed by the Democrats.

In addition to repealing the unfair AMT entirely, the Taxpayer Choice Act would also offer taxpayers the option to either remain in our current, abundantly complex income tax system, with all its tax credits and deductions, or choose a new, alternative, simplified flat-rate tax system that is fairer and more efficient. This new approach wouldn't eliminate any benefits taxpayers currently enjoy under the existing tax code, such as the home mortgage interest deduction, deduction for charitable giving and the child tax credit. Rather, it would offer taxpayers the option to remain in the old system or join the new flat-rate system. This system would have two rates - below \$100,000, income would be taxed at 10 percent (for joint filers). All income above this would be taxed at 25 percent. Unlike the flawed AMT, these new tax brackets would be indexed for inflation. Every taxpayer would receive a generous personal exemption, approaching \$40,000 for a family of four. Apart from that, the new optional system would simplify taxes by eliminating all other tax deductions, credits and exemptions. Finally, the Taxpayer Choice Act would make the current, low rates on investment income from capital

gains and dividends permanent.

The legislation would provide all U.S. taxpayers up to 10 years to choose which system treats them more fairly. Given that even moderate income Americans can spend hundreds of dollars a year on complying with our current tax code, the flat-rate system will likely appeal to many. Even after they make this choice, taxpayers would be allowed to switch tax systems once in a lifetime, and if a life-changing event occurred, such as marriage or death.

In 2005, President George W. Bush asked an independent commission on tax reform to present him with options that would make our system of taxes simpler, fairer and more pro-growth. The Taxpayer Choice Act achieves all three of these objectives, while tackling head-on the pressing problem of the alternative minimum tax. Individual taxpayers and families deserve the choice between an increasingly complex and burdensome tax code and a straight forward, easy to understand flat-rate alternative. Rather than raising taxes to keep pace with "lost revenue," Congress should repeal the AMT outright, and jumpstart tax reform through the Taxpayer Choice Act.